

Mr. John Twitty, Controller
Health Management Resources
101 Grace Drive
Easley, South Carolina 29640

Re: AC# 3-SUM-J8 – Summit Place, Inc.

Dear Mr. Twitty:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1997 through September 30, 1998. That report was used to set the rate covering the contract period beginning October 1, 1999.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/kss

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Robert M. Kerr

Mr. John Twitty, Controller
Health Management Resources
101 Grace Drive
Easley, South Carolina 29640

Re: Draft Report – AC# 3-SUM-J8 – Summit Place, Inc.

Dear Mr. Twitty:

The accompanying draft report has been prepared by our office. Please review the adjustments as presented.

If you have any questions concerning this report and would like a formal exit conference with the auditors, please write to Mr. Russell Chambers, CPA, regarding the establishment of a meeting date. Your correspondence should include the above referenced control number. Your request for a conference must be made within ten (10) calendar days of your receipt of this report, and the conference must be held within twenty (20) calendar days of your receipt of this report. Any additional documentation in support of allowable cost must be received by our office no later than twenty (20) calendar days after your receipt of this report.

If we do not hear from you within ten (10) calendar days of your receipt of this report, we will assume you do not want an exit conference. In this case, I will reissue this report to you in final form and you will have thirty (30) calendar days in which to file a formal appeal if you so desire.

Yours very truly,

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/kss

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Robert M. Kerr

Ms. Brenda L. Hyleman, Director
Division of Home Health and Nursing Home Services
Department of Health and Human Services
Post Office Box 8206
Columbia, South Carolina 29202-8206

Re: Draft Report – AC# 3-SUM-J8 – Summit Place, Inc.

Dear Ms. Hyleman:

Please review the adjustments contained in the accompanying draft report. If you have any comments or disagreements with the adjustments and resulting computations, please contact Mr. Russell Chambers, CPA, within ten (10) calendar days.

Use of the above referenced control number is requested on any subsequent correspondence pertaining to this report.

If you do not have any comments, it will be assumed you are in agreement with the report and only those concerns of the Provider, if any, will be considered prior to the issuance of the final report.

Yours very truly,

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/kss

cc: Mr. Jeff Saxon
Mr. Robert M. Kerr

SUMMIT PLACE, INC.
SIMPSONVILLE, SOUTH CAROLINA

CONTRACT PERIOD
BEGINNING OCTOBER 1, 1999
AC# 3-SUM-J8

REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

March 10, 2000

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Summit Place, Inc., for the contract period beginning October 1, 1999, and for the twelve month cost report period ended September 30, 1998, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Summit Place, Inc., to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Summit Place, Inc. dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
March 10, 2000

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA
State Auditor

SUMMIT PLACE, INC.
Computation of Rate Change
For the Contract Period
Beginning October 1, 1999
AC# 3-SUM-J8

	10/01/99- <u>09/30/00</u>
Interim reimbursement rate (1)	\$94.91
Adjusted reimbursement rate	<u>94.76</u>
Decrease in reimbursement rate	\$ <u><u>.15</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 3, 1999.

SUMMIT PLACE, INC.

Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 1999 Through September 30, 2000
AC# 3-SUM-J8

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$44.07	\$50.88	
Dietary		9.62	9.69	
Laundry/Housekeeping/Maint.		<u>7.94</u>	<u>8.24</u>	
Subtotal	<u>\$4.82</u>	61.63	68.81	\$61.63
Administration & Med. Rec.	<u>\$3.11</u>	<u>8.45</u>	<u>11.56</u>	<u>8.45</u>
Subtotal		70.08	<u>\$80.37</u>	70.08
<u>Costs Not Subject to Standards:</u>				
Utilities		2.20		2.20
Special Services		2.32		2.32
Medical Supplies & Oxygen		4.31		4.31
Taxes and Insurance		1.76		1.76
Legal Fees		<u>.01</u>		<u>.01</u>
TOTAL		<u>\$80.68</u>		80.68
Inflation Factor (3.00%)				2.42
Cost of Capital				7.33
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				2.82
Cost Incentive				4.82
Effect of \$1.75 Cap on Cost/Profit Incentives				(5.89)
CNA Add-On				.75
Nurse Aide Staffing Add-on				<u>1.83</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$94.76</u>

SUMMIT PLACE, INC.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1998
AC# 3-SUM-J8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$2,059,559	\$ -	\$ -	\$2,059,559
Dietary	448,665	1,133 (1)	-	449,798
Laundry	95,959	-	-	95,959
Housekeeping	168,168	118 (1)	-	168,286
Maintenance	107,042	-	-	107,042
Administration & Medical Records	395,059	-	-	395,059
Utilities	102,884	-	-	102,884
Special Services	108,285	-	-	108,285
Medical Supplies & Oxygen	202,711	949 (1)	2,446 (2)	201,214
Taxes and Insurance	82,396	-	-	82,396
Legal Fees	478	-	-	478
Cost of Capital	349,103	358 (4) 269 (5)	7,087 (3)	342,643
Subtotal	4,120,309	2,827	9,533	4,113,603
Ancillary	140,612	-	-	140,612

SUMMIT PLACE, INC.

Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1998
AC# 3-SUM-J8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
Non-Allowable	1,892,160	2,446 (2)	358 (4) 269 (5)	1,893,979
Total Operating Expenses	<u>\$6,153,081</u>	<u>\$5,273</u>	<u>\$10,160</u>	<u>\$6,148,194</u>
Total Patient Days	<u>46,734</u>	<u>-</u>	<u>-</u>	<u>46,734</u>
Total Beds	<u>132</u>			

SUMMIT PLACE, INC.
Adjustment Report
Cost Report Period Ended September 30, 1998
AC# 3-SUM-J8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Dietary	\$ 1,133	
	Housekeeping	118	
	Medical Supplies	949	
	Other Equity		\$ 2,200
	To carryforward prior State Auditor's Office adjustment HIM-15-1, Section 2302.1		
2	Nonallowable	2,446	
	Medical Supplies		2,446
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
3	Accumulated Depreciation	42,337	
	Other Equity	53,922	
	Fixed Assets		89,172
	Cost of Capital		7,087
	To adjust fixed assets and related depreciation State Plan, Attachment 4.19D		
4	Cost of Capital	358	
	Nonallowable		358
	To adjust depreciation expense to comply with the capital cost policy State Plan, Attachment 4.19D		

SUMMIT PLACE, INC.
Adjustment Report
Cost Report Period Ended September 30, 1998
AC# 3-SUM-J8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Cost of Capital Nonallowable	269	269
	To adjust capital return State Plan, Attachment 4.19D		
		_____	_____
	TOTAL ADJUSTMENTS	<u>\$101,532</u>	<u>\$101,532</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

SUMMIT PLACE, INC.
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1998
AC# 3-SUM-J8

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.2493</u>	<u>2.2493</u>	
Deemed Asset Value (Per Bed)	35,130	35,130	
Number of Beds	<u>88</u>	<u>44</u>	
Deemed Asset Value	3,091,440	1,545,720	
Improvements Since 1981	468,290	12,612	
Accumulated Depreciation at 09/30/98	<u>(899,150)</u>	<u>(321,581)</u>	
Deemed Depreciated Value	2,660,580	1,236,751	
Market Rate of Return	<u>.063</u>	<u>.063</u>	
Total Annual Return	167,617	77,915	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	167,617	77,915	
Depreciation Expense	52,338	41,081	
Amortization Expense	2,557	1,264	
Capital Related Income Offsets	(72)	(57)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	222,440	120,203	\$342,643
Total Patient Days (Minimum 97% Occupancy)	<u>31,156</u>	<u>15,578</u>	<u>46,734</u>
Cost of Capital Per Diem	\$ <u>7.14</u>	\$ <u>7.72</u>	\$ <u>7.33</u>

SUMMIT PLACE, INC.
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1998
AC# 3-SUM-J8

	<u>Old Beds</u>	<u>New Beds</u>
6/30/89 Cost of Capital and Return on Equity		
Capital Per Diem Reimbursement	\$4.93	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$8.92</u>	<u>\$7.72</u>
Reimbursable Cost of Capital Per Diem		\$7.33
Cost of Capital Per Diem		<u>7.33</u>
Cost of Capital Per Diem Limitation		\$ <u>-</u>